

FISCAL IMPACT STATEMENT ON BILL NO. **S.923**

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TO:	The Honorable John E. Courson, Chairman, Senate Education Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Bryce Wilson		
DATE:	February 6, 2008	SBD:	2008048

AUTHOR:	Senator Sheheen	PRIMARY CODE CITE:	59-111-800
SUBJECT:	Tuition Exemption for Veterans Act of 2008		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

A Cost of Federal and/or Other Funds (See Below)

BILL SUMMARY:

This Bill would amend the Code of Laws so as to enable certain veterans to be exempt from tuition at the state's two-and four-year public colleges and universities. In addition, eligible veterans may receive a textbook allowance of \$300 per semester and may participate in a work-study program for ten hours weekly. Credit hours generated by eligible veterans are not to be included in calculations used to compute the higher education funding formula and may not impact the level of funding an institution receives. The Commission on Higher Education (CHE) is responsible for promulgating regulations to implement the provisions and for providing administration of the program.

EXPLANATION OF IMPACT:

The impact of this Bill would consist of lost tuition revenues to the state's public colleges, costs to provide book allowances, fund work study, and for program administration. The costs associated with the various sections of the Bill are summarized below.

Section 59-111-820

There are currently 2,879 veterans attending a public higher education institution including the technical colleges. Approximately 446 of these veterans are disabled. The estimated cost to provide a one-quarter tuition reduction for all 2,433 combat veterans who are not disabled is approximately \$2,935,000. The estimated cost to provide a one-half tuition waiver for veterans with a 30%, but less than 50%, disability rating is \$490,500 assuming half of the 446 disabled veterans referenced above would fall into this category. The estimated cost to provide a full tuition reduction for veterans with a 50% or greater disability rating; recipient of the bronze star or higher award; any service connected amputee; and combat veterans with a 30% or higher disability rating is \$981,000 (again, assuming half of the 446 disabled veteran referenced above fall into this category). Total impact on tuition revenue is estimated at \$4,406,500. This could result in the institutions adjusting their tuition to compensate for this negative impact on revenue.

Section 59-111-830 (1)

The estimated cost to provide book allowances for veterans with a 50% or greater disability rating; recipient of the Bronze Star or higher award; any service connected amputee; and combat veterans with a 30% or higher disability rating is \$267,600 (446 x \$300). This estimate is derived by multiplying the number of veterans with a disability rating by \$300 which is the current book allowance for LIFE scholarship recipients. It is assumed this initiative would have an impact on the General Fund of the State.

Section 59-111-830 (2)

The estimated cost to provide a paid ten hours a week work-study program for every veteran is \$5,280,086. This estimate is based on a cost per veteran of \$1,834 (\$6.55 per hour – new minimum wage effective June 2008 x 10 hours per week x 28 weeks – the average weeks in fall and spring semesters) x 2,879 (veterans attending public institutions). CHE indicates that there is currently a VA Work Study program funded federally that provides a very similar opportunity. However, CHE does not know how many are participating in this existing program. The actual impact of this section would depend on how many individuals choose to take advantage of this program and the number of hours worked. Therefore, the estimate associated with this section should be the maximum potential impact.

Section 59-111-840

CHE estimated the cost to carry out the provisions of this Bill relating to certifying students and determining and administering the benefits is \$37,469. The cost is for the salary of one program coordinator plus 25% (\$29,975 x 1.25 fringe).

Recapitulation

Total direct identifiable impact on the General Fund of the State can be estimated at \$305,059 which includes cost associated with the book allowance and CHE administration. There is an additional impact on the General Fund of the State of up to \$5.2 million if it is the General Assembly's intent that the work-study program be funded with State appropriations. Otherwise the impact of the work-study program would be on the institutions other funds expenditures (supported by tuition and fee revenue). This also could result in the institutions adjusting their tuition and fees schedule to compensate for these increased expenditures. The direct impact on tuition revenue associated with the graduated reduction in tuition is estimated at \$4.4 million.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

Section 59-111-850 provides that "a credit hour generated by a veteran receiving a tuition exemption pursuant to this article may not be used to compute the higher education formula and may not have an impact on the level of funding the institution receives". However, CHE notes that the institution's funding would be impacted if the credit hours are not included in the formula.

Approved by:

A handwritten signature in black ink that reads "Harry Bell". The signature is written in a cursive, flowing style.

Harry Bell
Assistant Director, Office of State Budget